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MACROECONOMIC POLICY QUESTIONS: EXTERNAL DEBT CRISIS AND DEVELOPMENT

United Republic of Tanzania*: draft resolution

Enhancing international cooperation towards a durable solution to the external debt problem of developing countries

The General Assembly,

Recalling its resolutions 48/165 of 21 December 1993 and 50/92 of 20 December 1995, the relevant provisions of the report of the Ad Hoc Committee of the Whole of the General Assembly for the Mid-term Review of the Implementation of the United Nations New Agenda for the Development of Africa in the 1990s,[1] and the relevant parts of the Agenda for Development,[2] as well as the results, as agreed, of all major United Nations conferences and summit meetings held since the beginning of the 1990s,

Recalling also its resolution 51/164 of 16 December 1996 on enhancing international cooperation towards a durable solution to the external debt problem of developing countries,

Reaffirming the urgent need for effective, equitable, comprehensive, development-oriented and durable solutions to the external debt and debt-servicing problems of developing countries, and to help them exit from the rescheduling process,

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* On behalf of the States Members of the United Nations that are members of the Group of 77 and China.

[1] Official Records of the General Assembly, Fifty-first Session, Supplement No. 48 (A/51/48).

[2] General Assembly resolution 51/240, annex.

Noting that stabilization and structural adjustment programmes have been undertaken by developing countries but at considerable social and human costs,

Stressing the need for full, swift and flexible implementation of debt-relief initiatives, so as to assist developing countries, in particular the poorest and heavily indebted countries, especially in Africa, in their efforts to improve their debt situation in view of their continued very high level of total debt stock and servicing burdens,

Noting with concern the continuing debt and debt-servicing problems of indebted developing countries as constituting an element adversely affecting their development efforts and economic growth, and stressing the importance of alleviating the onerous debt and debt-service burdens connected with the various types of debt of many developing countries, on the basis of an effective, equitable, comprehensive, development-oriented and durable approach and addressing the full stock of debt of the poorest and most indebted developing countries as a matter of priority,

Noting that the developing countries that have continued, at great cost to themselves, to meet their international debt and debt-service obligations in a timely fashion have done so despite serious external and domestic financial constraints,

Expressing concern that debt-relief measures taken so far have not yet fully provided effective, equitable, comprehensive, development-oriented and durable solutions to the outstanding debt and debt-servicing problems of a large number of developing countries, in particular the poorest and heavily indebted countries,

Stressing the need for management of the process of globalization and liberalization in a manner that creates a supportive international economic environment with regard to, inter alia, terms of trade, commodity prices, improved market access, trade practices, access to technology, and enhanced financial flows, particularly official development assistance, so as to ensure the sustained growth and development of developing countries,

Stressing also the importance of finding a durable solution to the non-Paris Club debt which has become a serious challenge to many developing countries in their pursuit of sustainable economic development,

1. Takes note of the report of the Secretary-General on the debt situation of the developing countries as at mid-1997;[1]

2. Recognizes that effective, equitable, comprehensive, development-oriented and durable solutions to the external debt and debt-servicing problems of developing countries are essential for the strengthening of the global economy and to the efforts of developing countries to achieve sustained economic growth and sustainable development;

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[1] A/52/290.

3. Notes that further progress, including swift and flexible implementation of innovative approaches and concrete measures, is essential for contributing to effective, equitable, comprehensive, development-oriented and durable solutions to the external debt and debt-servicing problems of developing countries, particularly the poorest and heavily indebted countries;

4. Also notes the adverse impact of the volatility of short-term capital flows, exchange rates and international interest rates on the debt situation of developing countries;

5. Stresses the need for the international community to promote a conducive external economic environment through, inter alia, improved market access, increased resource flows and improved access to technology for the developing countries;

6. Also stresses the need for policy coherence among developed countries so as to avoid volatility of short-term capital flows, exchange rates and international interest rates which can have an adverse impact on the debt situation of developing countries;

7. Further stresses that the evolving debt strategy must be accompanied by a favourable and supportive international economic environment, including the full implementation of the results of the Uruguay Round of multilateral trade negotiations, and the Marrakesh ministerial decisions in favour of the least developed countries and the net food-importing developing countries;[4]

8. Invites bilateral and multilateral creditors and commercial banks to implement new initiatives including debt swaps, and debt and debt-service cancellation for debtor developing countries in response to the implementation of outcomes and action plans of major United Nations conferences;

9. Recognizes that the Heavily Indebted Poor Countries Debt Initiative, endorsed by the Development Committee of the World Bank and the Interim Committee of the International Monetary Fund, was designed to enable heavily indebted poor countries to achieve a sustainable debt situation through coordinated action by all creditors on the basis of adjustment efforts by the debtor countries;

10. Also recognizes that the implementation of the Initiative requires additional financial resources from both bilateral and multilateral creditors without affecting the support required for development activities of developing countries and invites bilateral donors to contribute to the Trust Fund for the implementation of the Initiative;

11. Expresses its concern at the slow progress made to date in implementing the Initiative and in this regard calls for a timely finalization

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[4] See Legal Instruments Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations, done at Marrakesh on 15 April 1994 (GATT secretariat publication, Sales No. GATT/1994.7).

of the agreements to implement it in order to allow the countries to benefit from the Initiative;

12. Stresses the urgent need for the developed countries to give the Initiative the support it both needs and deserves and to implement it flexibly;

13. Also stresses the importance of implementing the Initiative's eligibility criteria flexibly, in a transparent manner, and with the full involvement of the debtor country, and further stresses the importance of continuously evaluating and actively monitoring the implications of the existing terms of the eligibility criteria in the implementation of the Initiative, so as to ensure sufficient coverage of heavily indebted poor countries;

14. Calls for a reduction in the duration of the track record of sound economic policies required for the provision of debt relief under the Initiative, and in order to allow beneficiary countries to reach debt sustainability rapidly and avoid additional costs associated with delays in debt relief, requests that the period between the decision and completion points be shortened and that interim assistance be provided;

15. Also calls for the provision of additional financial resources by both bilateral and multilateral creditors, including interim financing, without affecting the support required for development activities of developing countries, and encourages bilateral donors to contribute the necessary resources to the Heavily Indebted Poor Countries Trust Fund of the World Bank and to the Enhanced Structural Adjustment Facility Trust Fund of the International Monetary Fund for the implementation of the Initiative;

16. Stresses the need for the Paris Club to swiftly implement the decision to go beyond the Naples terms to provide debt reduction, including debt stock cancellation for the poorest and most heavily indebted countries, and urges all other bilateral creditors to make comparable contributions in the context of coordinated efforts by all countries;

17. Recognizes the efforts of indebted developing countries in regard to fulfilling their commitments on debt servicing despite the incurring of a high social cost;

18. Notes with concern the continuing burden of debt and debt-service obligations of middle-income developing countries and, in this regard, encourages all creditors to continue their initiatives and efforts to address the debt problems of middle-income developing countries;

19. Invites creditor countries, commercial banks and multilateral financial institutions to continue the initiatives and efforts to address the commercial debt problems of the least developed countries and the requests for continued mobilization of resources through the Debt-reduction Facility of the International Development Association in order to help least developed countries reduce their commercial debt;

20. Expresses concern at the lack of funding for continuous Enhanced Structural Adjustment Facility operations and invites the Executive Board of the

International Monetary Fund to consider favourably a portion sale of its gold reserves in order to generate income that can be used for this purpose;

21. Welcomes the recommendations made by the Executive Board of the World Bank to allocate an additional 250 million United States dollars from International Bank for Reconstruction and Development surplus to the Heavily Indebted Poor Countries Trust Fund so as to meet the Bank's share of debt relief, as well as the authorization by the Executive Board of the International Monetary Fund of a transfer of up to 180 million special drawing rights to finance special Enhanced Structural Adjustment Facility operations under the Heavily Indebted Poor Countries initiative;

22. Expresses strong support for the continuation of Enhanced Structural Adjustment Facility operations and also expresses serious concern about the lack of consensus regarding its funding modalities in the interim period (2001-2004);

23. Stresses the need for intensive efforts to secure adequate funding for the eleventh replenishment of the International Development Association and the need for an adequate twelfth replenishment of the Association to a level commensurate with the needs of the poorest countries;

24. Reaffirms the Mid-term Global Review of Progress towards the Implementation of the Programme of Action for the Least Developed Countries for the 1990s,[5] in particular the appropriate actions in favour of those countries concerning their official bilateral, commercial and multilateral debt;

25. Stresses the need for, in addition to debt-relief measures that include debt and debt-service reduction, new financial flows to debtor developing countries from all sources, and urges creditor countries and multilateral financial institutions to continue to extend concessional financial assistance, particularly to the least developed countries, in order to support the implementation of economic reforms, stabilization and structural adjustment programmes and the eradication of poverty by the developing countries so as to enable them to extricate themselves from the debt overhang and attract new investment and to assist them in achieving sustained economic growth and sustainable development;

26. Calls upon the international community, including the United Nations system, and invites the Bretton Woods institutions, as well as the private sector, to take urgent measures and action for the implementation of the commitments, agreements and decisions of the major United Nations conferences and summits organized since the beginning of the 1990s on development related to the question of external debt;

27. Requests the Secretary-General to report to the General Assembly at its fifty-third session on the implementation of the present resolution.

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[5] Resolution 50/103, annex.